



THE NFIB MICHIGAN 2015 SMALL BUSINESS AGENDA

Date: January 21, 2015

Small Business Group Releases “Main Street Agenda” for 2015

Road Funding and Prevailing Wage Lead Off Top Small Business Issues

Michigan’s leading advocate for small business has announced its top priorities for the coming legislative session. The National Federation of Independent Business (NFIB) “Main Street Agenda for 2015” emphasizes building on the substantial improvements to Michigan’s business climate from previous sessions while addressing remaining challenges for small business.

While giving Governor Snyder and lawmakers high marks for turning Michigan around from the “lost decade” of the previous Granholm administration, the organization noted that the recent road funding proposal is not supported by Michigan’s small business owners.

“We were optimistic as the road funding proposal moved through the 2014 lame duck session, said Charlie Owens, Michigan State Director for the NFIB. “When the dust settled, however, the final proposal departed from the encouraging outline presented originally into a proposal that reflected political horse-trading more than sound policy.”

NFIB determines policy positions on issues on behalf of its members by a voting process that allows all members a voice in the process. A survey on the road funding proposal and the May, 2015 sales tax ballot was sent out to the members in early 2015 and the results show that 75 percent of NFIB members responding opposed the road funding proposal.

The NFIB’s other lead priority, repealing Michigan’s Prevailing Wage Act, is also tied to the road funding issue as it appears that the Governor made a commitment to veto any such repeal as a way to secure needed votes during bargaining on the road proposal.

Repealing Michigan’s wasteful prevailing wage act is an important step in assuring fair and open competition on publicly funded construction projects. The law results in overcharging taxpayers on publicly funded construction projects by requiring that union scale wages be paid regardless of whether a contractor has non-union employees. The prevailing wage law also discourages small business contractors from bidding on public projects.

NFIB will be teaming up with the Associated Builders and Contractors (ABC) and other free market groups to pursue the repeal of prevailing wage in Michigan in 2015 despite the setbacks from the road proposal.

Continued...

NFIB's top priorities for 2015 are:

Fight for Small Business in the Road Funding Debate

NFIB's official position of opposition to the road funding plan passed in late 2014 was decided by NFIB's small business members when it was put in front of them for a vote in early 2015. NFIB determines policy positions on issues on behalf of its members by a voting process that allows all members a voice in the process. NFIB will be opposing the road funding plan and the May state-wide ballot proposal to raise the sales tax.

Repeal Michigan's Prevailing Wage Law

Repealing Michigan's Prevailing Wage Act is the next step in assuring fair and open competition on publicly funded construction projects. The state's current prevailing wage law acts as a "super minimum wage" that sets wages much higher than local construction wages determined by fair competition in the free market. In 2015, NFIB will be supporting legislation that will eliminate the prevailing wage requirement on public construction projects financed with state taxpayer dollars.

Stop Local Government Wage and Benefit Regulation

Small business cannot afford local micromanagement of employer benefit policies. County and municipal governments have threatened to layer on duplicative requirements and regulations on small business at the behest of local activist groups or advocates who are unsuccessful in accomplishing these policies at the federal and state level. NFIB will be seeking legislation, such as last session's House Bill 5977, that would prevent these anti-business efforts from gaining ground in cities and communities around the state.

Continue Progress on Cutting Unnecessary Regulations

Much progress has been made in improving Michigan's regulatory policy and recognizing its impact on the overall business climate for our state. With the support of the Snyder administration and the legislature efforts have focused on establishing a clear and convincing need standard and procedure when considering any rule that exceeds Federal standards. In addition, the practice of commissions and agencies acting outside of legislative intent has been restricted. However, new threats are always on the horizon such as recent efforts to require businesses to install software monitoring systems that report transaction data directly to the Michigan Department of Treasury. NFIB will pursue additional opportunities to lighten the regulatory burden on Michigan small business.

Implement Michigan's Right to Work Law

Landmark legislation making Michigan a Right to Work state was passed at the end of the 2012 session; however the fight for worker freedom has just begun. Already the Civil Service Commission is claiming that state employees are not covered by the law and many labor unions renegotiated contracts as far out as possible before the law's effective date. These actions, and others, mean that NFIB, the NFIB Small Business Legal Foundation and labor freedom advocates will be working to ensure that Michigan's Right to Work law is implemented as intended.

Continued...

Guard Against Attempts to Change the New Corporate Income Tax

Dumping the dreaded Michigan Business Tax (MBT) and replacing it with a new small business friendly Corporate Income Tax is a major victory for small business, but special interests are already looking for ways to "tweak" the tax and expand the base or raise the rate. Some have even suggested that small business isn't paying its "fair share" because many do not pay the Corporate Income Tax – ignoring the fact that they pay their business tax through the personal income tax. They want to return to the MBT double taxation of small business profits. NFIB will be on guard against efforts like these.

Protect Private Property Rights

Private Property Rights are the bedrock of our free enterprise system and they are always under attack from overzealous government agencies and local government. Recently, local governments have attempted to retroactively assess property owners for past fees and taxes uncollected because of their own incompetence. NFIB will continue to work to end the abuse of private property rights and fight against regulations that diminish the use and value of private property.

Prevent Erosion of Liability Reforms in Michigan

Over the years, one of the few bright spots in Michigan's business climate has been our legal system. Small business is especially vulnerable to frivolous and groundless litigation and vigilance is necessary if we are to keep this advantage from being eroded by trial attorneys and activist groups.

No Services Tax to Fund Overspending

Michigan has finally brought spending under control and balanced the budget without gimmicks, however, the tax and spend crowd is always floating a tax on services as a way to raise more revenue so it can resume spending. Recently, the Superintendent of the State Board of Education made public comments that the sales tax should be expanded to services as a way to increase funding for education. A services tax was also put on the table in the lame duck session of 2014 as a way to fund roads. In addition to these efforts, the Michigan Department of Treasury seems to always be on a "fishing expedition" for more revenue by reclassifying items that were previously considered services as products so they can now be subject to the sales and use tax. A recent example of this activity is Treasury's reclassification of previously exempted services involving remotely accessed software to that of a product and requiring sales and use tax to be paid. Many small businesses that use these services (such as payroll and tax processing) are now required to pay sales and use tax on the service fees.

NFIB defeated attempts to expand the sales tax to services in 2010, 2011 and during the lame duck session in 2014. We will be working again in 2015 to keep this bad idea off the table and to seek legislation to reel in Treasury's efforts to expand the sales tax to services by reclassification of one service at a time.

For more information about NFIB, please visit www.nfib.com/michigan.

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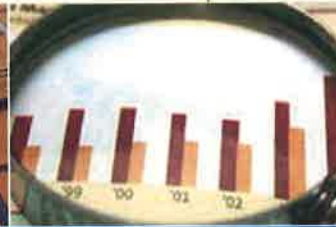
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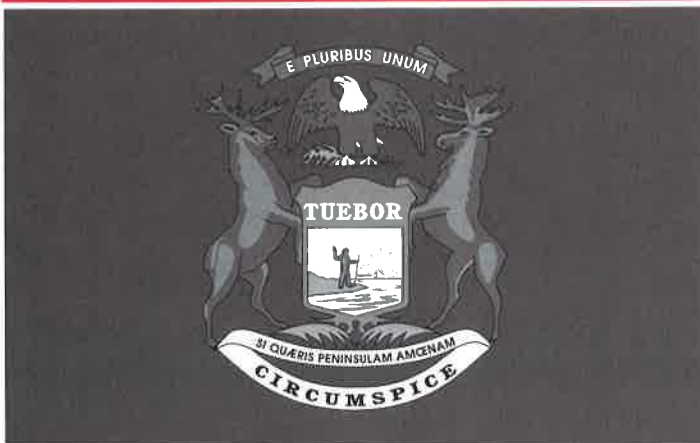


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SMALL BUSINESS PROBLEMS & PRIORITIES

August 2012

MICHIGAN



STATE MEMBER BALLOT

NFIB

The Voice of Small Business.

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1 Prevailing Wage Law

Should Michigan's Prevailing Wage Law be repealed?

☐ Yes ☐ No ☐ Undecided

2 Expand Sales Tax for Public School Funding

Should Michigan expand the sales tax to services in order to increase funding for public schools?

☐ Yes ☐ No ☐ Undecided

3 Expand Sales Tax for Public School Funding

Do you believe that Michigan public schools are currently receiving adequate funding?

☐ Yes ☐ No ☐ Undecided

4 Hospital-Care Provider Price Regulation

Should Michigan require hospitals and other medical-care providers to charge comparable rates regardless of a patient's type of coverage or whether or not they have coverage?

☐ Yes ☐ No ☐ Undecided

5 State-Run Retirement Plans

Should Michigan pass legislation that would establish a state-run retirement plan for small businesses?

☐ Yes ☐ No ☐ Undecided

2015 EDITION



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Or return your ballot via fax
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NFIB® STATE MEMBER BALLOT ISSUES

1 | **Prevailing Wage Law** *Should Michigan's Prevailing Wage Law be repealed?*

BACKGROUND: Prevailing wage laws exist on the federal level and in 31 states and generally require contractors on public-works projects to pay workers the dollar value of cash wages and benefits that prevail in the geographic area of the project. Michigan's Prevailing Wage Law (Public Act 166 of 1965) requires that contractors pay union-scale wages on construction projects financed or sponsored by the state.

PROPONENTS of repealing Michigan's prevailing wage law argue that the law acts as a "super minimum wage" that sets wages much higher than local construction wages determined by fair competition in the free market. As a result, they contend, taxpayers are forced to overpay to build government projects, and many small businesses are excluded from the opportunity to participate in these projects. Opponents also believe that the law discriminates against women and minorities, who are disproportionately represented in the low-skilled, non-union end of the construction industry.

OPPONENTS of repealing Michigan's prevailing wage law contend that the law protects local wage standards of union workers, who have often negotiated higher rates than their non-union counterparts. Prevailing wage laws, they argue, promote fair competition among bidders and help maintain quality standards for public-works projects. Supporters believe that, without these standards, contractors would have the incentive to low-ball their bids based on substandard wages, which in turn would lead to poorly constructed public buildings, bridges and roads.

2 | **Expand Sales Tax for Public School Funding** *Should Michigan expand the sales tax to services in order to increase funding for public schools?*

3 | *Do you believe that Michigan public schools are currently receiving adequate funding?*

BACKGROUND: In 1994, Michigan voters passed Proposal A, a constitutional amendment that changed the funding mechanism for public schools. The major changes implemented by the proposal were the lowering of property taxes and a shift from local property taxes as the primary school financing source to the state sales tax, which was also increased from four cents to six cents. In addition, 4.2 cents of the new six-cent sales tax were dedicated to the state School Aid Fund and established a "foundation grant" or per-pupil allotment allocated by the state to schools based on their enrollment. Since 1995, this per-pupil grant

has increased from \$4,200 to the current funding level of \$7,126 per student. However, schools also get funding from other sources unrelated to the foundation grant, including categorical grants, non-operational revenue from millages levied to pay debt service on long-term capital investments, federal government revenue and ISD (Intermediate School District) revenues. In the 2012-2013 school year, the average school district revenue from all sources for all purposes was \$12,909 per pupil—significantly more than the foundation allowance. The total annual budget for K-12 public schools for 2014-2015 was \$13,870,325,600 or just under \$14 billion. Some have suggested that school funding has declined over what it would have been before Proposal A and that Michigan is falling behind other states in school funding and investment. Recently, the State Superintendent of Schools proposed expanding the sales tax to services as a way to boost funding for public schools.

PROPONENTS of increasing school funding by expanding the sales tax to services claim that schools have gotten less money under Proposal A of 1994 than what they would have under the previous school finance system. They point out that as school districts expand into preschool and K-3 education, current funding levels and growth will not keep pace and a funding shortage has resulted. Supporters also complain that Proposal A hurts districts facing declining enrollment because of the loss of students, without a corresponding reduction in "fixed" costs such as unused buildings. They argue that as more demands are put upon public school systems in the era of both parents working outside the home, the more the current funding set up by Proposal A will fall behind.

OPPONENTS of increasing school funding by expanding the sales tax to services say that school spending has increased significantly over the past few decades but test scores have remained relatively flat. They argue that it is not a lack of money but a lack of money management by schools that is the problem. They believe that schools with declining enrollment should not expect a constant revenue stream while they have fewer students to serve. Opponents also state that school officials ignore more than a billion dollars used to prop up lavish teacher retirement benefits when they claim that school funding has declined. They say that the lackluster performance for the amount of money spent merits no increase in funding and that current funding levels are more than adequate.

4 | **Hospital-Care Provider Price Regulation** *Should Michigan require hospitals and other medical-care providers to charge comparable rates regardless of a patient's type of coverage or whether or not they have coverage?*

BACKGROUND: With the high cost of healthcare and

NFIB® STATE MEMBER BALLOT ISSUES

the requirement that everyone have insurance under the Affordable Care Act (Obamacare)—or pay a tax penalty—many believe that it is time for hospitals to be more accountable and transparent for the prices they charge for procedures and services. They would like to see hospitals required to make public their charge schedules and end the practice of charging different rates based on the type of insurance coverage (or no coverage) that a patient may have.

PROPOSERS of regulating hospital pricing and requiring more consistency say that no other entity is allowed to get away with such vague and unclear charges for services. They claim that medical facilities around the state are charging patients with bills that bear little to no relation to the actual cost of the healthcare but are often based on what kind of coverage or lack of coverage a patient has. Supporters would like to see regulation that would prohibit a hospital or provider from charging for a procedure more than a certain percentage (such as 150 percent) of the lowest amount the provider had accepted as payment in full from any other payer. As an example, if someone was charged \$2,000 for an MRI but the provider accepted \$600 as payment in full from an insurance company, the provider could not force an uninsured person (or someone with a different insurance company or type of coverage) to pay more than \$900 (150 percent) for the same procedure. They would also seek requirements that hospitals make public their charge schedules and pricing.

OPPOSERS of proposed hospital price regulation say that this effort will impose the same failed policy of government-mandated price controls that insurance companies have tried to include in no-fault auto-insurance legislation over the past several years. They claim that hospitals negotiate differing rates for differing services with payers based on the volume of patients, total charges in a given time period and other variables making it unfair and difficult to provide an accurate public schedule for all services and to charge based on a mandated percentage difference among payers. Opponents of price regulation say that, for most hospitals, uniform charge schedules are internal documents that are rarely consistent with those of any other hospital and are not always based on the same underlying cost factors. They believe that this kind of requirement would interfere in free-market negotiations between healthcare providers and insurance companies, and would cost hospitals across the state tens of millions of dollars every year while doing little to help patients.

5 | **State-Run Retirement Plans** *Should Michigan pass legislation that would establish a state-run retirement plan for small businesses?*

BACKGROUND: Under a state-run retirement plan concept, a state-administered retirement plan would be created for certain private-sector employees. Employees would automatically be enrolled unless they annually opted out. It would require the plan to offer individual retirement accounts (IRAs) with a number of specified features, including automatic rollover if the employee changes employers, options for spousal benefits and lump-sum payments when the employee retires. Employers could be required to inform eligible employees of the plans and perform certain administrative tasks relative to enrollment and payroll deduction.

PROPOSERS of a state-run retirement plan say that the percentage of private-sector employers offering retirement plans has fallen from 68 percent in 2001 to 58 percent in 2012. Proponents say a state-run program would be self-sustaining and a relatively safe investment because of the modest rate of return and long investment horizon, and that Michigan would be well served by a retirement savings plans to address the retirement security crisis. As the plan is voluntary in the beginning, employers would also have the choice rather than a mandate to provide matching funds for employee plans.

OPPOSERS of a state-run retirement plan for private-sector employees say that it would put an onerous administrative burden on employers. Under the plan, employees who don't want to participate would have to opt out in writing every year or be enrolled automatically. Initially, employers could make voluntary contributions on behalf of their employees, but the legislation contemplates mandatory contributions in the future. Employers would be required to arrange payroll-deduction contributions to the state plan for any participating employee and also would be subject to corresponding administrative and record-keeping duties and costs. Finally, opponents say the state cannot afford such a plan, nor guarantee rates of return, and should not be in the business of competing against the private marketplace with a taxpayer-supported, state-run structure.

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1-20-2015

2015 Road Funding and Sales Tax Ballot Proposal

During the last week of legislative session in 2014 a road funding plan was passed that would raise \$1.3 billion annually for the state's transportation network. Under the proposed plan, the current sales tax on gasoline and diesel fuel at the pump (the revenue from which does not go to roads but to local governments and schools) would be repealed and the state motor fuels tax (the revenue from which does go to roads and transportation) would be changed from a pump tax to a 14.9% tax on the wholesale level. This change would increase the tax on motor fuels (gasoline and diesel) to the amount of the repealed sales tax revenue plus an additional increase of three to nine cents more per gallon depending on future wholesale fuel prices. There is also an additional \$45 million in vehicle registration fees and \$50 million in truck registration fees included in the proposal.

This proposal will only go into effect if a state-wide ballot proposal (House Joint Resolution UU) is approved by voters in May of 2015. The ballot proposal would raise the overall sales tax from 6 percent to 7 percent with the extra one percent earmarked for schools and local governments to make up for revenue they would lose from repealing the current sales tax on motor fuels. If voters fail to approve the ballot proposal to increase the sales tax in May of 2015, then all of the aforementioned changes would be null and void and Michigan's road funding, gas tax and registration fee structure would remain unchanged. In other words, lawmakers and the Governor would have to start over. A more detailed analysis of the road funding proposal can be viewed at <http://bit.ly/RoadProposal>

Supporters of the road funding plan say that this is a fair compromise among the various proposals that have been offered to raise money for roads and transportation. They say that this proposal avoids severe tax hikes at the pump that, under one other plan, would have doubled the gas tax. Supporters also point out that this proposal ends the bad policy of the sales tax on the pump price of gas where the revenue does not go to roads. They argue that raising the overall sales tax by a percent is a fair way to reimburse schools and local governments for the money they lose from the repeal of the sales tax on motor fuels.

Opponents claim that the vehicle registration fees and the extra fuel taxes are not earmarked just for roads but can be used for bike paths, mass transit, light rail and other frivolous transportation projects. They say that the hike in the overall sales tax will not just make up for the lost sales tax revenue on fuel but result in a significant windfall for schools and local governments. Opponents suggest if the original proposal by the State House were pursued instead of a bundle of tax hikes, the state would come close to the road funding need without a sales or gas tax increase. They say that the ballot proposal should be defeated and lawmakers and the governor should try again to formulate a better approach.

Should NFIB support this new plan for road funding?

21% Yes

75% No

4% Undecided